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TRUMAN MAKES LONG-TERM AID TO CHINA CONDITIONAL ON REFORM

THE decisive influence of the United States in determining whether civil strife in China can be settled peacefully is indicated by the new hopes for a Chungking-Communist agreement arising from President Truman's policy statement of December 15. This declaration has received the general approval of Chinese government and Communist spokesmen and has been greeted by the American press as a welcome clarification of the United States position on Chinese affairs. It is noticeable, however, that many Chinese and American observers tend to stress those parts of the statement that express their particular point of view, while slurring over or commenting in a minor key on parts with which they disagree. The statement must therefore be read as a whole, to reveal how it departs from, or reaffirms, recent American policy in China.

HURLEY'S POLICY MODIFIED. The President's views signalize first of all, the development of a trend away from the methods employed by former Ambassador Hurley. This is not surprising, for it has been apparent for some time that the policy of giving unconditional support to the Chinese government has failed and, if persisted in under civil war conditions, could only result in increasing our military involvement in China's internal affairs.

Such a prospect could hardly recommend itself to responsible policy-makers—especially in view of the emergence of serious American and Chinese criticism, and the obvious self-interest of the United States in effecting the speediest possible unification of the various Chinese parties and groups. Moreover, the situation in China has threatened to impede the improvement of American-Russian relations; for while Moscow and Washington seem to be following harmonious policies toward Chungking at the moment, occasional statements by the Russian press and

radio indicate significant differences beneath the surface.

OUR AID LINKED TO CHINESE UNITY. The manner of Ambassador Hurley's resignation and his inability to sustain the charges he made against the State Department before the Senate Foreign Relations Committee may also have stimulated the tendency to search for new methods in China. It is clear, at any rate, that our support of the Chungking government has now become conditional; for after emphasizing in the early part of his statement that we recognize "the present National government of the Republic of China as the only legal government in China," the President concludes with the declaration that we will be prepared to aid in China's military and economic rehabilitation, "as China moves toward peace and unity along the lines described above." This is a reference to the assertion that the United States considers it "essential" for Chungking, the Communists and other armed opposition elements to cease hostilities, as well as for the major political elements to hold a national conference to bring about unification.

The President's declaration also includes a number of realistic observations about Chinese political conditions, notably that Chungking "is a 'one-party government,'" which should be broadened so that other political elements will receive "a fair and effective representation." He also comments on the crucial military aspect of China's political differences with the remark that "the existence of autonomous armies such as that of the Communist Army is inconsistent with, and actually makes impossible, political unity in China. With the institution of a broadly representative government, autonomous armies should be eliminated as such and all armed forces in China integrated effectively into the Chinese National Army."

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MARINES WILL STAY. The political and economic aspects of the statement suggest a return, at least in part, to the views of General Stilwell and former Ambassador Gauss: namely that our cooperation with Chungking cannot be unconditional, but should depend on the degree of unity established in China and the nature of the policies advanced by the Central government and the Communists. But this modification of position is combined with a reaffirmation of the President's stand on the most widely discussed feature of current policy: the presence of some 50,000 marines on Chinese soil.

"The United States," Mr. Truman declares, "has assumed a definite obligation in the disarmament and evacuation of the Japanese troops," and the "marines are in North China for that purpose." The policy of helping the Chinese government to achieve these objectives is to continue, but "United States support will not extend to United States military intervention to influence the course of any Chinese internal strife." There is no indication in the President's remarks as to whether this indicates a change in the manner of using the marines, whose activities have been generally recognized as having an important political effect in China, or whether in the course of pending internal negotiations with the Communists and other groups Chungking can count on the kind of marine support it has received in recent months.

No declaration of policy can be more than a prelude to action, and it is largely on General Marshall, who will be in China during the Chinese political discussions, that the task of translating this statement into effective diplomacy will fall. Presumably the Presidential directive to the General, which

has not been published, goes into detail on many issues. For example, it is not clear from the public announcement whether the conference of leading Chinese groups that is about to take place in Chungking is regarded as meeting the President's request for a national conference. More important, the definition given to "fair and effective representation" of all elements in the government could be a crucial factor in the outcome of the negotiations. So far, political power in China has rested on military force, and it is unlikely that any group will yield its armies unless convinced that it will have the possibility of political survival without them. This means that China now faces the extraordinarily difficult task of making the transition from a military to a parliamentary approach to politics.

The manner in which the United States conducts its China policy in the months ahead will be of far-reaching significance for the Chinese people as well as for our relations with them. It is no secret that the presence of American marines in the North China civil war theatre has been deeply resented by some sections of Chinese opinion—for example, by influential student groups in various cities under the Central government. At the moment almost 20,000 students are on strike in Kunming, where they are demanding the cessation of civil war, withdrawal of American troops, establishment of a coalition government for China, and other changes. The existence of these views in circles that are probably for the most part neither Communist nor Kuomintang emphasizes the deep desire of the Chinese people for progressive policies, as well as the complexity of the situation that faces General Marshall on his delicate mission.

LAWRENCE K. ROSINGER

BYRNES SEEKS TO RECONCILE ALLIED VIEWS ON GERMANY

The decision of the Preparatory Commission of the United Nations Organization, now meeting in London, to establish UNO's headquarters in the United States was reached on December 15 in spite of arguments by Britain and a number of other nations which contended that this proposal would hasten the withdrawal of the United States from European affairs. Long before the truth or falsity of this argument has been demonstrated, however, this country will have indicated by its actions in Germany whether it is again going to turn its back on Europe as it did after World War I, or participate in the reconstruction of the continent. At the present time tendencies toward recognition of this country's obligations and opportunities in Germany exist side by side with a marked trend toward speedy withdrawal from the continent, and the success of the policy of "seeing the job through" appears to be a matter of touch and go.

BYRNES CLARIFIES U.S. POLICY. The position

of those who believe that American military successes in Europe must be followed up with constructive political and economic measures has been strengthened by Secretary of State Byrnes' statement of December 11 concerning United States economic policy toward Germany. Issued on the eve of the meeting of the Big Three Foreign Ministers, which opened in Moscow on December 15, this statement seeks to remove certain ambiguities and uncertainties that have heretofore surrounded American views on the future of the German economy.

Various American spokesmen have, at different times, outlined economic programs for Germany that range all the way from virtual annihilation of the Reich as an industrial nation to restoration of the German industrial machine to its 1932 level of production. From the Quebec Conference in August 1944, when President Roosevelt used the famous Morgenthau Plan as the basis of his discussions on Germany with Prime Minister Churchill, through the

meeting of the Big Three at Potsdam last July, the guiding principle of American policy toward Germany appeared to be the imposition of a "hard" peace. Faced with the actual day-to-day job of feeding the Germans, however, as well as the embarrassing possibility that rapid demobilization of American troops might complicate the task of maintaining order among a hungry people, military government authorities have become disturbed about the "battle of the winter" against starvation, cold and disease.

Similarly, certain efforts by American officials to define the Potsdam provision that the Germans' standard of living should be no higher than that of the rest of Europe (excluding the United Kingdom and the U.S.S.R.) have seemed to indicate that the United States was altering its earlier policy toward Germany. The proposal of the committee of American experts headed by Dr. Calvin Hoover, Duke University economist, that the German standard of living in 1932 be used as the yardstick for determining the amount of production and foreign trade Germany should be permitted to have in the future did not represent the "official" view of the United States. But the fact that the conclusions reached in this report leaked out, instead of being directly and fully reported, made the committee's suggestions appear as an attempt to swing American policy toward a "soft" peace which would be at the other extreme from the Morgenthau Plan.

Although the proposal for restoring Germany to its 1932 standard of living won approval in Britain, where concern with economic conditions in Germany has been growing as the British become increasingly aware of their own desperate need for markets, the rumored terms of the Hoover report roused vehement protests in the Moscow press. From Russia's point of view, it was unthinkable that the Allies should even suggest a step that would not only limit the amount of reparations-in-kind the Russians could collect from Germany to restore their own devastated areas, but might permit Germany to make a comeback as a strong industrial and therefore a potentially military power. An inter-Allied stalemate thus developed over the key question of Germany's future economy, and in his December 11 statement Mr. Byrnes attempted to find a new formula for determining the proper standard of living for Germany.

EUROPE AS A WHOLE CONSIDERED. The most significant aspect of Mr. Byrnes' proposal is that it takes as its point of departure neither the "hard" peace line of the Morgenthau Plan nor the

"soft" peace which might have resulted from adoption of the Hoover report. The main objective of his plan is a settlement with Germany that will emphasize not so much the elimination or rebuilding of the German economy, as the reconstruction and development of Germany's neighbors. Moreover, by suggesting that the liberated countries should be given a head start over Germany on the road toward the economic recovery of Europe, Mr. Byrnes' proposal may be expected to appeal to the British. At the same time, the provision that Germany should be required to make "the maximum possible contribution to recovery" in areas once occupied by the Nazis should reassure the Russians on the question of reparations. The United States has thus come forward with a proposal which recognizes the main aspects of the complex "German problem"—the Germans themselves, Europe as a whole, and the interests of the non-European major powers.

WILL U.S. RETREAT FROM EUROPE? Statesmanlike as Mr. Byrnes' statement on Germany is, it leaves unanswered the crucial question that beclouds the future of the Reich and Europe—the question of what the United States is willing to do in concrete terms and over a considerable period of time to back up its verbal pronouncements.

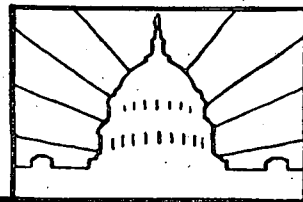
American occupation of Germany has labored under two handicaps—redeployment of experienced military government men and arrival of new troops who lack interest and training for what is admittedly a laborious job. This is already a thrice-told tale. Yet the seriousness of these handicaps calls for repetition as long as there is little indication of a civilian administration capable of replacing the depleted Army forces. As General MacArthur has discovered in his attempts to secure first-rate specialists from private life to aid in carrying out occupation policies in Japan, it is extremely hard to recruit civilians for tasks abroad now that business and professional men are preoccupied with their own problems of reconversion. Yet so long as Americans regard the occupation of Germany merely as an onerous and disagreeable duty, they cannot reasonably hope to see the suggestions made by the Secretary of State for the future of Europe, however wise they may be, carried into effect. The danger is that the United States will lose by default one of the essential political rights it gained through its military successes in Europe—the right to participate in continental affairs before they reach such a critical stage that this country must become inevitably involved in their settlement by force.

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Washington News Letter



U.S. EXPENDITURES ABROAD CONTRIBUTE TO NATION'S SECURITY

When Congress in January begins to consider the agreement signed on December 6 for lending \$3,750,000,000 to the United Kingdom, members of the House and Senate, as well as interested citizens, will certainly ask how much money and what value in goods this country already has sent abroad since enactment of the Lend-Lease law in March 1941. The total seems impressive when we lump grants, loans, relief expenditures and investments for economic development, and when we realize that figures available now are tentative and represent less than the final totals will show. Yet while our people may well be proud of the great part their money has played in winning the war and in the programs of post-war rehabilitation, to consider the use of that money as simple generosity would be misleading. Lend lease hastened victory by aiding our Allies who were in the forefront of combat during most of the war; expenditures on economic development abroad were designed to increase our industrial and agricultural strength for the conduct of the war; appropriations for relief represent a contribution toward restoration of world stability; and the loans we now make will bring us a financial return both in interest payments and expansion of exports.

UNITED STATES MONEY ABROAD. According to available figures, lend-lease expenditures come to at least \$42,000,000,000. For foreign relief Congress had appropriated \$1,350,000,000 for UNRRA, and on December 17, subject to Presidential approval, a similar sum was voted for 1946. Under President Roosevelt's order of November 10, 1943, the Army distributed relief worth \$52,556,900 to civilians overseas during the fiscal year 1944-45, and received an appropriation of \$294,149,000 for the same purpose in 1945-46. Since the Army submits bills for relief to countries that have the means to pay, the exact amount the United States spent on programs designed to prevent "disease and unrest" cannot be determined. The Navy has spent funds on the rehabilitation of natives in islands formerly belonging to Japan. The Foreign Economic Administration (and its predecessor, the Board of Economic Warfare) spent at least \$3,000,000,000 on the purchase of strategic materials from foreign countries, and on the development and expansion of production abroad of materials essential to us for the conduct of the war.

Despite the self-interest that inspired expenditures abroad, the decision to make them on the great scale

undertaken required a sound understanding of the interdependent relationship of nations in the modern world. If we took the view that lend-lease aid, for instance, was simply a financial transaction, we would try to collect payment for the lend-lease goods we sent abroad, of which the United Kingdom received \$29,000,000,000 worth and the U.S.S.R. \$10,000,000,000. On the contrary, President Truman on August 30 said that to try to collect on lend lease might plant "the seeds of a new world conflagration" and he commented that, "although the nations richest in resources made larger contributions in absolute terms, the financial costs of war for each will be relatively the same." The policy suggested by the President is being applied in lend-lease settlements. Belgium, whose reverse lend-lease to the United States exceeded the value of goods received from this country, has received from us in settlement materials worth about \$42,000,000 that were on order when lend-lease was terminated on August 21, and surplus war equipment worth \$45,000,000 which was already in Belgium. The lend-lease settlement with Britain, provided for in the loan agreement, writes off about \$25,000,000,000 worth of goods.

UNITED STATES LENDING. The United States is ready to make its money available to the world as a contribution toward international stability through three main sources: the International Monetary Fund, to which the United States is to subscribe \$2,750,000,000; the International Bank for Reconstruction and Development, of whose subscribed capital the United States will take \$3,175,000,000; and the Export-Import Bank, with lending authority of \$2,800,000,000. Neither the International Fund nor the International Bank has been established, but the Export-Import Bank has underwritten a loan of \$20,000,000 to Denmark, to be repaid in 30 semi-annual instalments at 3½ per cent; has lent \$50,000,000 to the Netherlands; \$45,000,000 to Belgium; and \$550,000,000 to France, to enable those countries to pay for materials they had on order from lend lease when the latter arrangement was ended. Brazil has obtained a loan of \$38,000,000 for the purchase of 14 cargo ships, Chile a loan of \$33,000,000 for the construction of steel mills. The bank has also lent \$100,000,000 for the purchase of 800,000 bales of cotton from the United States by eight countries—Belgium, Czechoslovakia, Denmark, France, Italy, the Netherlands, Norway and Poland.

BLAIR BOLLES